



Remarks by Senator Arlen Specter to US Steelworkers

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Pittsburgh, Pa.

A BILL OF RIGHTS: PROTECTING AMERICAN WORKERS FROM ILLEGAL TRADE

America's continuing loss of manufacturing jobs threatens the welfare and preeminence of this nation. Nowhere is this threat greater than to the steel industry.

The once proud names of Bethlehem Steel, Midvale, Jones and Laughlin, Republic, Inland, Youngstown Sheet and Tube, and Wheeling-Pittsburgh are gone or merged. With them have vanished the jobs and much of an industry that made America great and the envy of the world.

For many years now, American steel workers have had to compete in a world that preaches free trade but very often practices illegal trade.

Free trade MUST mean compliance with international trade law, or America has the right to say no and confront a system that is destroying the jobs and livelihood of thousands of workers.

The chief threat is from China whose predatory trading practices and currency manipulation are flooding the market with low-priced imports in violation of international trade laws.

This policy is costing millions of jobs worldwide and delaying recovery from the Great Recession.

While some G-20 countries are reporting modest rates of growth for 2009, China reported that it grew a torrid 7.7 percent.

China's cities are a forest of construction cranes, its roads and high speed rail lines a rapidly growing maze on the landscape, and its fast maturing economy a mix of automobiles, computers, and sophisticated electronics.

China's Commerce Minister said recently that if there was a trade war, the United States would lose. The fact is there **is** a trade war. But only China is in it, and China is winning.

As President Reagan once famously said, the Soviets liked the arms race as long as they were the only ones in it. This bears some analogy to the current confrontation with China. Once the United States responded forcefully, the Soviet Union was driven into bankruptcy.

China is guilty of international banditry. China violates our trade laws with impunity, robs American workers of their jobs, takes our money and lends it back, and now owns a big part of America.

The American Association of Manufacturing along with U.S. Steel and the United Steelworkers reported last week that since 2001 the United States has lost 2.4 million jobs to Chinese trade practices. Almost 100,000 of those jobs were in Pennsylvania, which ranked sixth among states in jobs lost.

China's export-oriented economy and soaring trade surpluses are fueled by repressive labor policies and depressed wages at home. Chinese wages are a fraction of those paid workers in most western states.

China also provides direct government subsidies in many key industries and maintains strict, non-tariff barriers to imports. As a result, China's exports to the United States of \$337.5 billion in 2008 were more than five times greater than U.S. exports to China, which totaled only \$67.2 billion.

This imbalance is not sustainable. The United States needs to take steps now to reverse it or face a continuing loss of manufacturing jobs and economic inferiority.

Make no mistake. We are playing for high stakes. Once the jobs are gone, they won't come back. That is why we must act now.

2001 was the year China joined the World Trade Organization. I was one of 15 Senators to oppose membership for fear that China would not play fair. And China hasn't.

Adding insult to injury, China has followed its aggressive trade policies with a litigious assault against other members of the WTO. It takeschutzpah for a country like China to file more claims of unfair trade than any other country.

It is time American workers had a bill of rights like the first ten amendments to the Constitution, a bill of rights to protect them from unfair competition and destructive trading practices in a global economy.

I. THE YUAN MUST FLOAT. AMERICAN WORKERS HAVE A RIGHT TO EXPECT CHINA AND OTHER STATES IN THE WTO TO ALLOW THEIR CURRENCIES TO FLUCTUATE WITH THE REST OF THE MARKET.

The Yuan is currently undervalued by 40 percent, giving China a virtually unchallengeable advantage in exports. Unless the Yuan is allowed to appreciate, the U.S. trade deficit and job losses will continue to mount. Recent reports offer hope that Chinese leaders, responding to growing U.S. pressure, may be ready to let the Yuan rise.

If China refuses to cooperate, the Treasury Department should declare China a currency manipulator, a step that would embolden world opinion against China and ease the way to imposing retaliatory trade barriers against Chinese goods. I am cosponsor of a bipartisan bill that would require the Treasury and Commerce Departments to take a stronger stand against countries that manipulate their currency and impose stiff penalties against those who don't reform.

If being branded a currency manipulator won't bring China to reason, we should consider a surcharge on imports until Beijing revalues the Yuan. In 1971 the United States imposed a temporary 10 percent surcharge on imports, which was removed a few months later after Germany, Japan and other nations raised the dollar value of their currencies.

II. AMERICAN WORKERS HAVE A RIGHT TO EXPECT THE GOVERNMENT TO ACT AGGRESSIVELY TO DEFEND THEIR JOBS AND LIVELIHOODS FROM ILLEGAL TRADE.

The Commerce Department must act more aggressively to enforce existing trade laws and at the same time initiate new enforcement actions and investigations. Commerce has a history of not investigating complaints, especially those related to currency manipulation.

Two cases that I recently argued before the ITC show what determined action by the Government and the President can accomplish. The first was a dumping case brought by the Commerce Department against Chinese tire manufacturers.

The ITC found that Chinese tire imports were disrupting the U.S. tire industry and recommended punitive tariffs over three years.

In September President Obama, unlike his predecessor who reversed the ITC, imposed a modified schedule under a China-specific provision of the Trade Act of 2000. This provision grew out of fear that China would not play by the rules when it joined the WTO in 2001. The intervening years have borne out those fears.

The tire case was compelling. Imports of tires grew 215 percent between 2004 and 2008, displacing more than 5,000 American jobs. The President's intervention is estimated to have saved some 3,000 jobs.

In December I urged the ITC to charge China with dumping of tubular steel and impose sanctions. I argued that the lost jobs, reduced hours, and plant shutdowns constituted a "severe and intolerable harm."

By the spring of 2009, six of eleven high grade tubular steel plants in the country, including mills in Koppel and Ambridge, Pennsylvania, were idle as a result of Chinese imports.

While the Koppel and Ambridge plants are back operating at minimum capacity, overall industry operating capacity dropped from 68.5 percent in 2006 to 17.6 percent in 2009. During the same period China's market share of high grade tubular steel rose from 15 to 37 percent.

In November the U.S. Commerce Department issued a preliminary finding of dumping against China, charging it with illegally subsidizing tubular steel at rates as high as 16 percent. The ITC subsequently upheld the charge of illegal dumping.

Since my days as Chairman the Senate steel caucus, I have taken the lead in arguing the case against China before the International Trade Commission. Your president, Leo Gerard, and John Surma, chief executive officer of US Steel, have urged me to argue these cases before the ITC for two reasons: we win, and they like the legal fees, or, more accurately, the absence thereof.

This is not a case of protectionism, but of law enforcement. As Leo Gerard told the ITC, "We're asking this tribunal to enforce the law of the land. China wanted to participate in this market and agreed to the rules of participation. From the day they agreed to these rules, they have been violating them."

In a show of contempt for its international trading partners, all but a handful of China's nearly 200 producers of tubular steel refused to cooperate with the ITC in its investigation.

President Obama broke the cycle of presidential inaction in the tire case. But there is no guarantee that future Presidents will act in similar fashion. We need to depoliticize trade decisions, which brings me to:

III: CONGRESS SHOULD RESCIND THE PRESIDENT'S AUTHORITY TO OVERRULE RECOMMENDATIONS MADE BY THE ITC.

American workers have a right not to be held hostage to the demands of international politics. Protecting jobs should take precedence over foreign policy and defense matters.

Notwithstanding President Obama's bold action in the tire case, too many presidents, Republican and Democrat, have been willing to sacrifice American industry and American jobs to foreign policy and defense interests.

I was educated on this subject back in 1984 when there was a favorable ruling by the ITC for the American steel industry, subject to review by the President.

At that time my colleague Senator Heinz and I visited every one of the Cabinet officers in an effort to get support to see to it that the ITC ruling was upheld.

Then Secretary of Commerce Malcolm Baldrige was favorable, and International Trade Representative Bill Brock was favorable. We received a favorable hearing in all quarters until we spoke with then Secretary of State Shultz and then Secretary of Defense Weinberger who were opposed to the ITC ruling.

President Reagan decided to overrule the ITC, and U.S. trade policy and workers again took second place to foreign policy and defense concerns.

IV. AMERICAN WORKERS HAVE A RIGHT TO SPEEDY REMEDIATION OF CLAIMS ARISING FROM ILLEGAL TRADE.

Congress should enact legislation that would expand the private right of action by companies and workers to file illegal dumping and other unfair trade charges in local federal district courts. I have introduced bills to permit private right of action 10 times since 1984.

My legislation, written to comply with WTO regulations against injunctive relief, addresses **dumping**, which occurs when a foreign producer sells a product in the United States at a price below that producer's sales price at home or at a price lower than the cost of production; and **subsidizing**, which occurs when a foreign government provides financial assistance to benefit the production, manufacture, or exportation of a good.

Because current administrative remedies have not been consistently and effectively enforced, private right of action legislation is needed to enforce the law.

My bill allows petitioners to choose between the ITC and their local U.S. district court for the injury determination phase of their investigation. While the more technical aspects of the case, such as the determination of dumping margins, would still be

handled by the Commerce Department, allowing the injury determination phase to take place in a local court would encourage petitioners to bring claims in a forum closer to local communities where the effects of injury have been felt.

Doing so would give our injured domestic producers the opportunity as private plaintiffs to control the litigation in seeking enforcement of our trade laws.

If injury is found, U.S. Customs and Border Protection would then assess duties on future importation of the article in question.

V. AMERICAN WORKERS HAVE A RIGHT TO HAVE THE STRONGEST POSSIBLE “BUY AMERICAN” REQUIREMENTS FOR FUNDS SPENT UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT AND IN THE CASE OF LEGISLATION PROVIDING LOAN GUARANTEES FOR NUCLEAR POWER PLANTS.

I have introduced legislation – the American Renewable Energy Jobs Act – to make sure that stimulus money for clean or renewable energy projects, such as wind turbines, is subject to the “Buy American” requirements.

This would help ensure that stimulus money for clean energy stays in America and produces domestic jobs. The most notorious example of foreign sourcing with stimulus funds is a \$1.5 billion wind farm in West Texas that is relying on Chinese manufacturers and Chinese labor.

At the same time, I have taken the lead in demanding that nuclear power plants be built by American workers with American steel as opposed to Japanese or South Korean steel.

In a letter to Energy Secretary Chu, I said the American public must be confident “in the integrity, safety and security of nuclear reactors, not least because U.S. taxpayer resources will be used to construct these facilities.”

The American steel industry has the capacity, and its workers the skills and training, to produce the components necessary for the construction of nuclear reactors.

Given the difficult economic times, we can ill afford to create jobs abroad at the expense of American workers.

The time for talk is over. We need to fight China’s predatory trading practices on all fronts: in the courts with private right of action, in the World Trade Organization and

the International Trade Commission with petitions for countervailing duties, and in the halls of Congress with legislation.

President Obama is committed to robust American participation the global marketplace but only under terms that are fair to American companies and workers. He has pledged to enforce existing trade agreements and to challenge violators like China.

American workers deserve no less.

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